

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF MASSACHUSETTS

UNITED STATES OF AMERICA,

Plaintiff,

v.

CLS GLOBAL FZC LLC,

Defendant.

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)
)
) Criminal Action
) No. 1:24-cr-10293-AK-1
) Pages 1 to 20
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)
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BEFORE THE HONORABLE ANGEL KELLEY
UNITED STATES DISTRICT JUDGE

INITIAL APPEARANCE and RULE 11 HEARING

February 7, 2025
11:06 a.m.

John J. Moakley United States Courthouse
Courtroom No. 8
One Courthouse Way
Boston, Massachusetts 02210

Linda Walsh, RPR, CRR
Official Court Reporter
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22 ALSO PRESENT: Andrea Edgar, Probation
23
24
25

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1 P R O C E E D I N G S

2 THE CLERK: All rise.

3 THE COURT: You can remain seated.

4 Just give me a second.

11:06 5 Okay. You can go ahead and call the case.

6 THE CLERK: Thank you, Your Honor.

7 The United States District Court for the District of
8 Massachusetts is now in session, the Honorable Angel Kelley
9 presiding. Today is February 7th, 2025. Criminal Action
11:06 10 24-10293. The United States versus CLS Global FZC LLC will now
11 be heard before this Court.

12 THE COURT: All right. Good morning, everyone.

13 Would you please state your appearances for the
14 record, and let's start with the government.

11:07 15 MR. HOLCOMB: Good morning, Your Honor. David Holcomb
16 for the United States.

17 THE COURT: Thank you.

18 MR. URBAN: Good morning, Your Honor. Lex Urban for
19 the defendant, CLS Global.

11:07 20 MR. FISHER: Good morning, Your Honor. Rob Fisher,
21 also for CLS Global.

22 THE COURT: Anyone else here on behalf of the
23 defendants that should be acknowledged?

24 MR. URBAN: No, Your Honor. I'll be appearing on
11:07 25 behalf of the company. They've authorized me to accept the

1 plea.

2 THE COURT: Thank you.

3 And Probation, please?

4 U.S. PROBATION: Good morning, Your Honor. Andrea
11:07 5 Edgar on behalf of Probation.

6 THE COURT: Thank you. I have a question. So we're
7 here on the indictment, but it identifies two defendants, CLS
8 Global FZC LLC and Andrey Zhorzhes.

9 MR. HOLCOMB: That's correct, Your Honor.

11:08 10 THE COURT: Okay. And so what is the plan? My
11 understanding is that the LLC wishes to change its plea, but
12 what about the individual?

13 MR. HOLCOMB: That's correct, Your Honor.

14 And there is no proposed resolution involving the
11:08 15 individual defendant at this time. He is not in the United
16 States. He has not been arraigned on the indictment.

17 THE COURT: All right. So the plan is for the LLC to
18 change its plea pursuant to a binding plea agreement under Rule
19 11(c)(1)(C); is that accurate, Counsel?

11:08 20 MR. HOLCOMB: Yes, Your Honor.

21 MR. URBAN: Yes, Your Honor.

22 THE COURT: All right. And I understand that CLS
23 Global -- I'm going to just refer to it that way to
24 abbreviate -- is a corporation that can be held criminally
11:09 25 responsible, just like an individual, although obviously a

1 corporation cannot be imprisoned. A corporation can only act
2 through human agents, and I understand that, Attorney Urban,
3 you are here on behalf of the LLC for the purposes of a change
4 of plea. And you have the authority of the CEO and founder; is
11:09 5 that correct?

6 MR. URBAN: That's correct, Your Honor.

7 THE COURT: All right. Thank you. And you intend to
8 participate in this plea colloquy and offer a change of plea,
9 right?

11:09 10 MR. URBAN: I do, that's correct.

11 THE COURT: And would you please identify who in
12 particular the cofounder is and CEO by name.

13 MR. URBAN: Yes. The CEO is -- I want to make sure I
14 get the --

11:10 15 THE COURT: You can just stand up naturally. The
16 microphone, I think, will be sufficient.

17 MR. URBAN: Sure. The CEO is Filipp Veselov, who also
18 signed the plea agreement with myself.

19 And the founders are Artem Khachatryan and Ullubiy
11:10 20 Bakuev.

21 THE COURT: Thank you. And I do see on page 8 of the
22 plea agreement the first name that you identify, Filipp
23 Veselov.

24 Mr. Lara, can you assist?

11:10 25 THE CLERK: Yes. Mr. Urban, would you please stand

1 and raise your right hand.

2 (Attorney Urban sworn as the corporate representative
3 to accept the plea on behalf of CLS Global FZC LLC.)

4 MR. URBAN: I do.

11:11 5 THE CLERK: Thank you. You may be seated.

6 THE COURT: Do you understand that you are now under
7 oath and that if you answer any of my questions falsely, your
8 answers may later be used against you in another prosecution
9 for perjury or making a false statement?

11:11 10 MR. URBAN: I do, Your Honor.

11 THE COURT: And you can just remain seated for this
12 portion. State your full name for the record.

13 MR. URBAN: Alexander Urban.

14 THE COURT: How old are you, sir?

11:11 15 MR. URBAN: 42 years old.

16 THE COURT: Highest level of education?

17 MR. URBAN: Law school.

18 THE COURT: And your title?

19 MR. URBAN: I'm a partner at Blanche Law.

11:11 20 THE COURT: And have you been authorized by CLS Global
21 and the cofounders and CEO to waive a trial in this matter and
22 enter a plea of guilty?

23 MR. URBAN: I have, Your Honor, yes.

24 THE COURT: And do you understand that the corporation
11:11 25 has entered into a plea agreement with the United States

1 Attorney's Office?

2 MR. URBAN: I do, Your Honor.

3 THE COURT: Did you sign the agreement on behalf of
4 the corporation -- well, I see an acknowledgment by counsel
11:12 5 listed there on page 8.

6 MR. URBAN: Yes. I signed it acknowledging that I
7 explained the terms and that my client, to my knowledge,
8 understood the terms.

9 THE COURT: Okay. I'm going to turn to the
11:12 10 government. Would you please summarize the basic terms of the
11 plea agreement.

12 MR. HOLCOMB: Yes, Your Honor.

13 THE COURT: And you have it before you, I assume,
14 Attorney Urban?

11:12 15 MR. URBAN: I do, Your Honor. Thank you.

16 THE COURT: All right.

17 MR. HOLCOMB: The plea agreement is dated January 8th,
18 2025, and filed with the Court at docket number 10.

19 The agreement is pursuant to Federal Rule of Criminal
11:12 20 Procedure 11(c)(1)(C) under which the agreed-upon sentencing
21 recommendation is binding on the Court if the Court accepts the
22 plea agreement. Under the agreement CLS Global agrees to plead
23 guilty to the two counts in the indictment charging conspiracy
24 in violation of Title 18 United States Code Section 371 and
11:13 25 wire fraud in violation of Title 18 United States Code Section

1 1343 as well as to waive certain defenses, including venue,
2 statute of limitations, and any legal or procedural defects.

3 Section 4 of the agreement sets out the parties'
4 proposed calculation of the sentencing guidelines under the
11:13 5 provisions applicable to organizational defendants. This
6 includes an offense level calculated under section -- Guideline
7 Section 2B1.1, a culpability score calculated under Section
8 8C2.5, and a term of a probation under 8D1.2.

9 Section 5 contains the parties' agreed-upon
11:13 10 disposition. The parties agree to a sentence that includes a
11 fine of \$428,059.63 which would be offset by amounts recovered
12 through forfeiture and amounts paid to the Securities and
13 Exchange Commission in the resolution of its parallel case,
14 forfeiture, three years of probation, and the mandatory special
11:14 15 assessment of \$800.

16 Section 6 outlines the defendant's waiver of appellate
17 rights. The defendant recognizes that it has certain appellate
18 rights and agrees to voluntarily waive those rights except in
19 the case of serious government misconduct or ineffective
11:14 20 assistance of counsel.

21 Section 7 identifies two specific cryptocurrency
22 accounts that the defendant has agreed are subject to
23 forfeiture, and that section also provides that the defendant
24 agrees to fully assist in the forfeiture of those assets.

11:14 25 Section 8, along with Exhibit A to the plea agreement,

1 set forth the agreed-upon conditions of probation. These
2 conditions overlap with the proposed consent judgment that has
3 been filed in the parallel Securities and Exchange Commission
4 case, and these generally prohibit CLS Global from servicing
11:15 5 U.S.-based clients or cryptocurrencies that are available to
6 investors located in the U.S. during the three-year term of
7 probation.

8 The agreed-upon terms also would require CLS Global to
9 implement certain policies and procedures and to provide annual
11:15 10 certifications of its compliance with the conditions to the
11 SEC.

12 Finally, Your Honor, Exhibit B to the plea agreement
13 contains an agreed-upon statement of facts and relevant
14 considerations.

11:15 15 THE COURT: Thank you.

16 Attorney Urban, do you understand that that was only a
17 summary of the plea agreement and that the written plea
18 agreement contains all of the terms to which the corporation
19 has agreed?

11:15 20 MR. URBAN: I do, Your Honor.

21 THE COURT: And do you understand that this is the
22 only agreement that the corporation has with the United States
23 Government?

24 MR. URBAN: I do.

11:16 25 THE COURT: Feel free to pull that microphone closer

1 to you so you're not tempted to stand each time.

2 MR. URBAN: Thank you.

3 THE COURT: Has anyone made any other promise or
4 assurance of any kind in an effort to get the corporation to
11:16 5 plead guilty?

6 MR. URBAN: No, Your Honor.

7 THE COURT: Do you understand that if I decide to
8 reject the terms of the plea agreement, you will have an
9 opportunity to withdraw the corporation's plea of guilty?

11:16 10 MR. URBAN: I do, Your Honor.

11 THE COURT: Has anyone attempted in any way to force
12 the corporation to plead guilty or have made a threat of any
13 kind?

14 MR. URBAN: No, Your Honor.

11:16 15 THE COURT: Is the corporation pleading guilty because
16 it is in fact guilty?

17 MR. URBAN: It is, Your Honor.

18 THE COURT: Do you understand that the crime for which
19 the corporation is pleading guilty is a felony?

11:16 20 MR. URBAN: I do.

21 THE COURT: And do you understand that if I accept the
22 plea, the corporation will be judged guilty of that crime?

23 MR. URBAN: Yes, Your Honor.

24 THE COURT: AUSA Holcomb, could you please state the
11:16 25 maximum penalty.

1 MR. HOLCOMB: Your Honor, for an organizational
2 defendant, the maximum penalties for each of Count 1,
3 conspiracy to commit market manipulation and to commit wire
4 fraud, and Count 2, wire fraud, are a fine of \$500,000 or twice
11:17 5 the pecuniary gain or loss from the offense, whichever is
6 greater; a term of probation of not more than five years; a
7 mandatory special assessment of \$400; restitution; and
8 forfeiture.

9 THE COURT: Thank you. Attorney Urban, do you
11:17 10 understand that I'll have the power to impose a fine up to
11 \$500,000 or twice the pecuniary gain or loss from the offense?

12 MR. URBAN: Yes, Your Honor.

13 THE COURT: And do you understand that I'll have the
14 power to impose a term of probation for not more than five
11:17 15 years?

16 MR. URBAN: Yes, Your Honor.

17 THE COURT: And do you understand that I may order the
18 corporation to pay restitution to any victim of the offense,
19 and in other words, I may order to pay money to any victim to
11:18 20 compensate them for any harm it caused?

21 MR. URBAN: I do, Your Honor.

22 THE COURT: Do you understand that in addition to
23 everything else, the corporation will be required to pay a \$400
24 special assessment for each offense?

11:18 25 MR. URBAN: Yes, Your Honor.

1 THE COURT: And do you understand all the possible
2 consequences of pleading guilty?

3 MR. URBAN: Yes, Your Honor.

4 THE COURT: I want to talk to you about the United
11:18 5 States Sentencing Guidelines and how they might affect the
6 sentence.

7 The sentencing guidelines have been issued by the
8 United States Sentencing Commission for judges to follow when
9 determining the sentence in a criminal case. They're not
11:18 10 mandatory. That means I do not have to follow them.
11 Nonetheless, they are important.

12 Do you understand that although I am not required to
13 follow the sentencing guidelines, I am required to consider the
14 guideline sentence before I impose this sentence?

11:18 15 MR. URBAN: I understand, Your Honor.

16 THE COURT: And do you understand that under the
17 guideline system, under some circumstances courts have the
18 authority to depart from the guideline sentence and to impose a
19 sentence that is either higher or lower than what the
11:19 20 guidelines call for?

21 MR. URBAN: Yes, Your Honor.

22 THE COURT: And do you understand that by law I'm also
23 required to consider a number of different sentencing factors,
24 including such things as the nature and circumstances of the
11:19 25 crime, the history and characteristics of the defendant, and

1 the need for the sentence to reflect the seriousness of the
2 offense, promote respect for the law, provide just punishment,
3 provide adequate deterrence, and protect the public?

4 MR. URBAN: I understand, Your Honor.

11:19 5 THE COURT: Do you understand that any victim of the
6 crime that has a right to participate in the proceeding may
7 either do so in writing or in person?

8 MR. URBAN: Yes, Your Honor.

9 THE COURT: Do you understand that the corporation or
11:19 10 the government or both may have the right to appeal any
11 sentence that I impose?

12 MR. URBAN: Yes, Your Honor.

13 THE COURT: And do you understand that the appellate
14 rights are laid out in the plea agreement on page -- starting
11:20 15 on page 3 and continuing on to page 4 under Section 6?

16 MR. URBAN: Yes, Your Honor.

17 THE COURT: Please listen to the prosecutor because
18 he's going to now state the elements of the offense of which
19 the defendant will be pleading guilty.

11:20 20 MR. HOLCOMB: The elements of conspiracy in violation
21 of 18 U.S.C. 371 are, first, the agreement specified in the
22 indictment existed between at least two people to commit market
23 manipulation and to commit wire fraud.

24 Second, that the defendant willfully joined in that
11:20 25 agreement.

1 And third, that one of the conspirators committed an
2 overt act during the period of conspiracy in an effort to
3 further the purpose of the conspiracy.

4 The elements of market manipulation, Your Honor, which
11:21 5 is one of the objectives of the conspiracy, are, first, that
6 the defendant conspired to engage in a series of transactions
7 in a security; second, which have the effect of raising or
8 depressing price or creating actual or apparent volume, which
9 is sometimes referred to as manipulative effect; and third,
11:21 10 that this was done for the purpose of inducing others to buy or
11 sell the security, which is sometimes referred to as the
12 manipulative purpose.

13 And the elements of wire fraud in violation of 18
14 U.S.C. 1343 are, first, that the defendant executed a scheme to
11:21 15 defraud; second, that the scheme involved a false statement,
16 assertion, half truth, or a knowing concealment of a material
17 fact; third, that the defendant knowingly and willfully
18 participated in the scheme; and fourth, that the defendant
19 caused an interstate wire to be used in furtherance of the
11:21 20 scheme.

21 THE COURT: Thank you.

22 Attorney Urban, do you understand what the government
23 would have to prove beyond a reasonable doubt in order for the
24 corporation to be found guilty at trial for these charges?

11:22 25 MR. URBAN: I do, Your Honor.

1 THE COURT: AUSA Holcomb, could you please assist with
2 a factual basis?

3 MR. HOLCOMB: Yes, Your Honor.

4 Exhibit B more fully sets forth the parties'
11:22 5 agreed-upon statement of facts, but I'll give a summary of
6 those facts today, if it's helpful for the Court.

7 Were the case to proceed to trial, the government
8 would prove the following:

9 CLS Global was a company registered in the United Arab
11:22 10 Emirates. On its website it advertised market making and other
11 services that it provided as well as cryptocurrency exchange
12 partners and clients.

13 CLS Global had more than 50 employees, all of whom
14 were located outside of the U.S.

11:22 15 In June of 2024, one of CLS Global's co-defendant in
16 this case, Andrey Zhorzhes, a senior business development
17 manager living in the United Arab Emirates began communicating
18 with purported promoters of a cryptocurrency token called
19 NexFundAI. The NexFundAI token was created as part of an
11:23 20 undercover operation by the Federal Bureau of Investigation.

21 Over text messages and video conferences, Zhorzhes
22 made various statements to the NexFundAI promoters about CLS
23 Global's business and its services it could provide, including
24 how CLS Global could generate trading volume on multiple
11:23 25 cryptocurrency exchanges using an algorithm that conducted what

1 Zhorzhes called self-trades. He explained, quote, "We do that
2 for multiple wallets so it's not visible. It looks like
3 organic buying and selling is happening, so it does not look
4 like an algorithm is trading." He explained that the goal was
11:23 5 to create trading volumes so the token's trading looked live
6 and organic so that people would get interested in trading it.
7 He acknowledged that this was accomplished through wash
8 trading.

9 He sent the NexFundAI promoters a market-making
11:24 10 proposal that explained how they could track CLS
11 Global-generated volume and other external volume. He also
12 sent them an executed license agreement to provide
13 market-making services for NexFundAI, which included the use of
14 CLS Global's trading algorithm, which identified the
11:24 15 cryptocurrency wallets that CLS Global used to accept client
16 payments.

17 Between August and September of 2024, CLS Global
18 bought and sold the NexFundAI token on the Uniswap
19 cryptocurrency exchange using multiple trading wallets. During
11:24 20 this time, Zhorzhes and several other CLS Global employees
21 updated the NexFundAI promoters on CLS Global's volume
22 generation for the NexFundAI token over telegram messages.

23 CLS Global continued to use its trading wallets to buy
24 and sell the NexFundAI token on Uniswap until the trading
11:25 25 function of the NexFundAI token was disabled at the direction

1 of law enforcement.

2 THE COURT: Attorney Urban, did you hear and
3 understand everything the prosecutor said?

4 MR. URBAN: I did, Your Honor.

11:25 5 THE COURT: Do you disagree with anything in the
6 government's description of the facts?

7 MR. URBAN: No, Your Honor.

8 THE COURT: And at this time, having been advised of
9 your rights, do you still wish to change the plea to guilty?

11:25 10 MR. URBAN: I do, Your Honor.

11 THE COURT: Okay. Mr. Lara, if you would assist.

12 THE CLERK: Yes, Your Honor.

13 Sir, the United States Attorney for the District of
14 Massachusetts has charged the entity defendant in a two-count
11:25 15 indictment. At this stage do you wish to enter a plea of
16 guilty?

17 MR. URBAN: Yes.

18 THE CLERK: As to Count 1 of the indictment charging
19 the defendant with conspiracy to commit market manipulation and
11:25 20 to commit wire fraud in violation of Title 18 United States
21 Code Section 371, how do you plead, guilty or not guilty?

22 MR. URBAN: Guilty.

23 THE CLERK: As to Count 2 of the indictment charging
24 the defendant with wire fraud in violation of Title 18 United
11:26 25 States Code Section 1343, how do you plead, guilty or not

1 guilty?

2 MR. URBAN: Guilty.

3 THE CLERK: Thank you. You may be seated.

4 THE COURT: Thank you.

11:26 5 The Court finds that the defendant is fully competent
6 and capable of entering an informed plea, and that the
7 defendant is aware of the nature of the charges and the
8 consequences of the plea, and that the plea of guilty is a
9 knowing and voluntary plea supported by an independent basis in
11:26 10 fact containing each of the essential elements of the offense.
11 The plea is therefore accepted and the defendant is now judged
12 guilty of the offenses.

13 I have deferred acceptance of the plea agreement until
14 after receipt of the PSR, and that will be discussed at the
11:26 15 sentencing hearing.

16 I believe that we have a date or a time frame for
17 sentencing, so we'll set that, but the defendant is to
18 cooperate with Probation in the preparation and investigation
19 of that report.

11:27 20 Mr. Lara?

21 THE CLERK: Yes, Your Honor. Wednesday, April 2nd,
22 2025, at 11:00 a.m.

23 THE COURT: Is there anything further for the
24 government?

11:27 25 MR. HOLCOMB: No. Thank you, Your Honor.

1 THE COURT: Counsel?

2 MR. URBAN: No, Your Honor. Thank you.

3 THE COURT: All right. See you then. Thank you.

4 THE CLERK: We're adjourned. All rise.

11:27 5 (Adjourned at 11:27 a.m.)

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1 CERTIFICATE OF OFFICIAL REPORTER

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3 I, Linda Walsh, Registered Professional Reporter

4 and Certified Realtime Reporter, in and for the United States

5 District Court for the District of Massachusetts, do hereby

6 certify that the foregoing transcript is a true and correct

7 transcript of the stenographically reported proceedings held in

8 the above-entitled matter, to the best of my skill and ability.

9 Dated this 17th day of February, 2025.

10

11

12 /s/ Linda Walsh

13 Linda Walsh, RPR, CRR

14 Official Court Reporter

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